



First Western Bank & Trust

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Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20055 1

RE: Docket No. R-1181
Community Reinvestment Act Regulations

Dear Sir or Madam:

As a community banker, I strongly endorse the federal bank regulators' proposal to increase the asset size of banks eligible for the small bank streamlined Community Reinvestment Act (CRA) examination from \$250 million to \$500 million and elimination of the holding company size limit (currently \$1 billion). This proposal will greatly reduce regulatory burden. I am the President of First Western Bank & Trust, a 350 million dollar bank located in Minot, North Dakota.

The small bank CRA examination process was an excellent innovation. As a community banker, I applaud the agencies for recognizing that it is time to expand this critical burden reduction benefit to larger community banks. At this critical time for the economy, this will allow more community banks to focus on what they do best-fueling America's local economies. When a bank must comply with the requirements of the large bank CRA evaluation process, the costs and burdens increase dramatically. And the resources devoted to CRA compliance are resources not available for meeting the credit demands of the community. For example, in our bank our estimate for compliance costs are \$30,000 to \$40,000 per year. If this proposal is adopted we would be able to utilize our resources in other ways.

Adjusting the asset size limit also more accurately reflects significant changes and consolidation within the banking industry in the last ten years. To be fair, banks should be evaluated against their peers, not banks hundreds of times their size. The proposed change recognizes that it's not right to assess the CRA performance of a \$500 million bank or a \$1 billion bank with the same exam procedures used for a \$500 billion bank. Large banks now stretch from coast-to-coast with assets in hundreds of billions of dollars. It is not fair to rate a community bank using the same CRA examination. And, while the proposed increase is a good first step, the size of banks eligible for the small-bank streamlined CRA examination should be increased to \$2 billion, or at a minimum, \$1 billion.

Ironically, community activists seem oblivious to the costs and burdens. And yet, *they* object to bank mergers that remove the local **bank** from **the** community. **This is** contradictory. If community **groups** want to keep the local **banks** in the community where *they* have better access to decision-makers, they must recognize that regulatory burdens are strangling smaller institutions and forcing them to **consider** selling to larger institutions that can better **manage** the burdens.

Increasing the size of banks eligible for the small-bank **streamlined CRA** examination does not relieve banks from CRA responsibilities. Since the survival of many community **banks** is closely intertwined **with** the success **and** viability of **their** communities, the increase will merely eliminate some of the most burdensome requirements.

In summary, I believe that increasing the asset-size of banks eligible for **the** small bank streamlined CRA **examination** process is **an** important first **step** to reducing **regulatory** burden. I also support **eliminating** the separate holding company qualification **for the** streamlined examination, since it places small community banks that are part of a larger holding **company** at a disadvantage to **their peers**. While community banks still must comply with the general requirements of CRA, this change will eliminate **some** of the most problematic and burdensome elements of the current CRA regulation **from** community banks **that** are drowning in regulatory red-tape. I also **urge** the **agencies** to seriously consider raising the **size** of banks eligible for the streamlined examination to \$2 billion or, at least, \$1 billion in assets to better reflect the **current** demographics of the banking industry.

Sincerely,

FIRST WESTERN BANK & TRUST



Richard K. Anderson
President & Cashier

RKA/bkf